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ACTION EUR-12

INFO OCT-01 EA-06 NEA-06 ISO-00 EB-07 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-01

INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 IO-10

OPIC-03 LAB-04 SIL-01 SWF-01 PA-01 PRS-01 USIA-06

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FM AMEMBASSY STOCKHOLM

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INFO USVSSION EC BRUSSELS UNN

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AMEMBASSY ALGIERS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LUXEMBOURG

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY VIENNA

C O N F I D E N T I A L STOCKHOLM 5547

E.O. 11652: GDS

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TAGS: ENRG, SW, OECD

SUBJECT: IEA: SWEDISH VIEWS ON PRODUCER/CONSUMER RELATIONS

REFS: STOCKHOLM 5410; STOCKHOLM 5422; OECD PARIS 29422; OECD
PARIS 20424; OECD PARIS 29425

SUMMARY. KUT THYBERG, SWEDISH DELEGATE TO DECEMBER 5-6 SESSION OF
IEA STANDING GROUP ON PRODUCER/CONSUMER RELATIONS (SPC) REVIEWED
SWEDISH POSITION FOR ECON OFFICER OVER LUNCHEON DECEMBER 12.
CHIEF IMPRESSION THYBERG CONVEYED WAS THAT GOS REMAINS LESS IMPRESSED
WITH NEED FOR COMMON FRONT AMONG MEMBERS OF CONSUMERS GROUP THAN
WITH NEED TO AVOID "ANTAGONIZING" ARAB PRODUCERS. HE ARGUED FOR
"EARLY" CONSUMER/PRODUCER DIALOGUE IN WHICH OIL PRICE WOULD
NOT BE DISCUSSED, BUT PRODUCER INVESTMENTS WOULD, APPARENTLY IN
HOPE THIS MOVE WOULD DEMONSTRATE GOOD WILL, IT DID NOT ACCOMPLISH
MUCH MORE. END SUMMARY.

1. IN LUNCHEON CONVERSATION WITH ECON OFFICER DECEMBER 12, KNUT
THYBERG, CHIEF, SECOND DIVISION (POLITICAL), MFA, AND SWEDISH
DELEGATE TO DECEMBER 5-6 MEETING OF SPC, WELCOMED OPPORTUNITY
TO EXCHANGE VIEWS ON ENERGY TACTICS, ESPECIALLY SINCE HE HAD NOT
HAD CHANCE TO SPEAK MUCH WITH US DELEGATE. THYBERG MADE FOLLOWING
ARGUMENTS:

A. SWEDEN WISHES ABOVE ALL TO AVOID CONFRONTATION WITH OIL
PRODUCERS. HIGHLY DEPENDENT UPON IMPORTED OIL FOR ITS ENERGY
REQUIREMENTS, SWEDEN CANNOT AFFORD TO HAVE ITS OIL CUT OFF
UNITED STATES, NEARLY SELF-SUFFICIENT IN OIL, MAY SAFELY TAKE
TOUGH LINE, AS GOS CONSIDERS SECRETARY KISSINGER'S
NOVEMBER 14 PROPOSALS TO BE, BUT SWEDEN CANNOT. SPC MEETING
SHOWED THAT OTHER GOVERNMENTS FEEL SAME VULNERABILITY AS SWEDEN
AND CONSEQUENTLY THE NEED FOR A MORE REASSURING APPROACH TO
PRODUCERS.

B. GOS DOES NOT WANT TO SEE IEA BECOME INSTRUMENT FOR
CONFRONTATION. EMBASSY OFFICER REPLIED THAT NO ONE DOES.
THYBERG SAID, IF CONSUMERS CONCERT PRIVATELY FOR SEVERAL MONTHS
TO DEVELOP COMMON POSTURE BEFORE SPEAKING TO PRODUCER, THEY
WILL ONLY CREATE SUSPICION AND HOSTILITY. FACT THAT PRODUCERS
HAVE NOT YET REACTED STRONGLY TO IEA GIVES NO REASON TO ASSUME
THAT THEY WILL NOT IN THE FUTURE. THYBERG CITED DISTRUST OF
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IEA VOICED BY BOUMEDIENNE IN RECENT CONVERSATIONS WITH PRIME
MINISTER PALME IN WGIERS. ALTHOUGH PALME MADE STRENUOUS
EFFORT TO DESCRIBE IEA AS NONCONFRONTATIVE AND AS NO THREAT TO
PRODUCERS, BOUMEDIENNE REMAINED UNCONVINCED. ALGERIA, WHILE
NOT ONE OF THE BIGGEST OIL PRODUCERS, THYBERG REMARKED, EXER-
CISES SUBSTANTIAL POLITICAL INFLUENCE. HENCE BOUMEDIENNES
PERCEPTION OF IEA COULD BE TROUBLESOME.

C. TO INHIBIT DISTRUST, GOS STILL BELIEVES THAT CONSUMERS SHOULD START "SOON" TO TALK WITH PRODUCERS WHILE CARRYING ON PARALLEL DISCUSSIONS AMONG THEMSELVES AIMED AT DEVELOPING COMMON CONSUMER PROGRAM. GOS CANNOT UNDERSTAND WHY BOTH ACTIVITIES SHOULD NOT PROCEED SIMULTANEOUSLY. THYBERG CLAIMED UNITED STATES WAS ALMOST ALONE IN ITS VIEW THAT TALKS SHOULD AWAIT DEVELOPMENT OF COMPLETE AND COMMON CONSUMER POSITION. HE DID NOT REGARD DANISH DELEGATE'S SUPPORT OF US VIEW AS MEANINGFUL. DANISH GOVERNMENT IS IN DISARRAY HE SAID.

D. CONSUMER/PRODUCER CONVERSATIONS SHOULD ADDRESS INTERESTS OF PRODUCERS AS WELL AS CONSUMERS. CHIEF PRODUCER INTEREST, GOS BELIEVES IS SAFE AND PROFITABLE INVESTMENT.

E. WHILE PRICE MAY BE TOPIC OF MAIN INTEREST TO CONSUMERS, GOS THOUGHT ITS EARLY DISCUSSION COULD ONLY EVOKE OPPOSITION RATHER THAN COOPERATION OF PRODUCERS. GOS DID NOT SEE ANY REALISTIC POSSIBILITY IN SHORT TERM THAT PRODUCERS WOULD LOWER PRICES. ON THAT POINT, THYBERG SEEMED TO THINK EVERY COUNTRY, INCLUDING US, WAS AGREED.

F. GOS DOES NOT OBJECT TO CURRENT HIGHER LEVEL OF OIL PRICES. IT IS, OF COURSE, INCONVENIENCED BY RAPIDITY OF THEIR RISE AND BY PROBLEMS OF ADJUSTMENT. BUT PRICE OF OIL HAS BEEN TOO LOW UNTIL NOW. GOS THINKS PRODUCERS HAVE BEEN EXPLOITED FOR YEARS BY OIL COMPANIES AND BY COUNTRIES TO WHICH COMPANIES BELONGED. SWEDISH PEOPLE ARE EXTRAORDINARILY WELL OFF MATERIALLY, COMPARED TO MANY OTHERS. THEY MUST THEREFORE BE "MORALLY CONCERNED" FOR NEED OF PEOPLE LESS WELL OFF, AS WELL AS POLITICALLY CAUTIOUS IN AVOIDING ADVERSARY RELATIONSHIPS. THYBERG RECALLED THAT WHEN HE ACCOMPANIED FOREIGN MINISTER SVEN ANDERSSON TO CALL ON SHAH OF IRAN LAST APRIL, SHAH HAD OPENED CONVERSATION WITH A DEFENSIVE RECITAL OF FIGURES AIMED AT CONFIDENTIAL

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JUSTIFYING OIL PRICE RISE. WHEN SHAH STOPPED TO CATCH HIS BREATH, ANDERSSON SURPRISED HIM BY ANNOUNCING THAT GOS DID NOT OBJECT TO NEW HIGH PRICES, SAW NO REASON WHY OIL SHOULD NOT HAVE HIGH VALUE "LIKE WHEAT" AND OTHER NECESSARY COMMODITIES. SHAH SAT BACK AND RELAXED.

G. GOS DELEGATION TO SPC FELT MOST AT HOME WITH VIEW OF CANADIANS, WITH WHOM SWEDES FOUND THEMSELVES IN ALMOST TOTAL AGREEMENT. GERMAN POSITION, HE CLAIMED, WAS ALSO CLOSE TO SWEDISH. SWEDES FELT NO SPECIAL AFFINITY FOR POSITION OF OTHER TWO NEUTRALS, SWITZERLAND AND AUSTRIA.

2. COMMENT. THYBERG'S COMMENTS SUGGEST NEED FOR CONTINUED U.S. EFFORT TO CONVINCE SWEDES AND OTHER IEA MEMBERS THAT OUR STRENGTH LIES IN FIRM COMMON FRONT.

JOHNSON

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